

Message Text

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C O N F I D E N T I A L STATE 138352

LIMDIS

E.O. 11652: GDS

TAGS: XC

SUBJECT: WEEKLY STATUS REPORT -- THAILAND, INDONESIA,
MALAYSIA, BURMA AND SINGAPORE AFFAIRS

INDONESIA

FMS CREDIT LEVELS (CONF)

WE ARE AWAITING FURTHER CONGRESSIONAL ACTION ON FMS
LEVELS FOLLOWING THE HOUSE APPROPRIATIONS COMMITTEE REPORT-
ING OUT THE BILL INCLUDING THE LONG AMENDMENT CALLING FOR
THE FULL 20 PERCENT CUT IN THE FY 79 REQUEST (EXCLUDING
ISRAEL). WE ARE STAYING IN CLOSE TOUCH ON THE PROGRESS OF
THE BILL.

AID DONORS TO INDONESIA MEET IN AMSTERDAM (LOU)
THE 21ST SESSION OF THE INTERGOVERNMENTAL GROUP ON INDO-
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THE 21ST SESSION OF THE INTERGOVERNMENTAL GROUP ON INDO-
NESIA (IGGI) MET MAY 22-23. THE DONORS, REFLECTING THE
VIEWS OF THE IBRD AND IMF ECONOMIC REPORTS, GAVE INDONESIA
HIGH MARKS FOR ECONOMIC PERFORMANCE (7 PERCENT GNP GROWTH)
FAVORABLE FISCAL AND BUDGETARY POLICIES, AND REALISTIC
BUDGETARY PLANNING. AT THE SAME TIME THERE WAS GENERAL
RECOGNITION THAT SERIOUS PROBLEMS FACE INDONESIA WITH THE

RECENT LEVELING OF OIL REVENUES, SHORTFALLS IN DOME" TIC
OOI PRODUCTION, LAGGING NON-OIL EXPORTS AND MOUNTING
UNEMPLOYMENT. SUBSTANTIVE DISCUSSIONS OF SOLUTIONS TO
THESE PROBLEMS AWAIT A SERIES OF IBRD REPORTS WHICH WILL
BE ISSUED LATER THIS YEAR. A CONSENSUS WAS REACHED THAT
ANOTHER SPECIAL SESSION OF THE IGGI SHOULD BE HELD IN
EARLY 1979 TO REVIEW THE IBRD FINDINGS IN THE CONTEXT OF
GOI PREPARATIONS FOR REPELITA III, THE NEW FIVE YEAR
PLAN. TOTAL DONOR PLEDGES OF BILATERAL AND MULTILATERAL
ASSISTANCE FOR THE INDONESIAN FISCAL YEAR 1978/79 WERE
NEAR 1.7 BILLION DOLS, THE LEVEL THE IBRD HAD FORECAST AS
NEEDED TO MEET THE GOI INVESTMENT TARGETS.

PL 480, TITLE I (LOU)

AFTER MUCH BUREAUCRATIC CHURNING, THE MULTICOUNTRY PRO-
POSAL FOR ADDITIONAL TITLE I ASSISTANCE, INCLUDING THE
50,000 TONS OF RICE FOR INDONESIA, (PROMISED DURING THE
VICE PRESIDENT'S VISIT) WAS SUBMITTED TO OMB ONLY LAST
WEEK. USDA EXPECTS TO PREPARE THE PAPERS FOR FORMAL ISC
APPROVAL NEXT WEEK AND INSTRUCTIONS TO NEGOTIATE WITH
THE GOI SHOULD FOLLOW SHORTLY THEREAFTER. FURTHER INFOR-
MATION WILL BE SENT TO JAKARTA WHEN THE TIMING IS MORE
CERTAIN.

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THAILAND

TRANSFER OF URANIUM ENRICHMENT CONTRACT STILL UNDER
STUDY (LOU)

A PRIVATE US FIRM IS STILL EXPLORING THE POSSIBILITY OF
ASSIGNING THAILAND'S URANIUM ENRICHMENT CONTRACT TO
TURKEY. DOE STAFF STILL OPPOSES REFUNDING THE 2.2 MILLION
DOLS THAI DEPOSIT FOR PRECEDENTIAL AND OTHER REASONS.
IF THE ATTEMPT TO ASSIGN THE CONTRACT FAILS, THE DEPART-
MENT WILL TRY TO OVERCOME DOE OPPOSITION AT A HIGH LEVEL.

NATURAL GAS NEGOTIATIONS (LOU)

ALTHOUGH MAY HAS ENDED WITHOUT AGREEMENT BEING REACHED
BY RTG AND UNION OIL ON THE-WELL HEAD PRICE OF NATURAL
GAS, BOTH PARTIES STILL APPEAR OPTIMISTIC. A NEWLY
APPOINTED RTG SELECT COMMITTEE HEADED BY GENERAL LEK
HAS FAVORABLY IMPRESSED UNION OIL EXECUTIVES BY PERHAPS
RAISING RTG PRICE OFFER. NEW MOMENTUM APPARENTLY HAS
BEEN ESTABLISHED IN THE TALKS.

BURMA

U TIN LAT FAREWELL CALLS (CONF)

AMBASSADOR TIN LAT PAID A FAREWELL CALL ON UNDER SECRETARY NEWSOM ON MAY 30 IN PREPARATION FOR HIS IMMINENT DEPARTURE FOR RANGOON (VIA THE GRAND CANYON AND SAN FRANCISCO). DURING THE MEETING, THE AMBASSADOR STATED THAT HE WAS GLAD TO SEE FAVORABLE DEVELOPMENTS DURING HIS TENURE IN US-BURMESE RELATIONS. HE POINTED TO "BETTER UNDERSTANDING" BETWEEN THE TWO COUNTRIES AND NOTED THAT OUR RELATIONS WHILE "NOT INTIMATE ARE FRIENDLY". MORE SPECIFICALLY, TIN LAT SAW TWO PRINCIPAL AREAS OF PROGRESS -- NARCOTICS COOPERATION AND ECONOMIC ASSISTANCE. HE CHARACTERIZED
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NARCOTICS AS AN IMPORTANT ADJUNCT BUT "NOT A FORMAL PART" OF BURMESE FOREIGN POLICY. HE OPINED THAT HE BELIEVES CHAIRMAN WOLFF HAS BECOME MORE REASONABLE AS A RESULT OF THEIR DISCUSSIONS IN NEW YORK AND HERE. WITH REGARD TO AID, TIN LAT NOTED THAT WHEN HE ARRIVED THERE WAS NO US INTEREST IN ECONOMIC COOPERATION. NOW THERE IS AN AID TEAM IN BURMA AND EVEN IF NOTHING DEVELOPS, THE US EXPRESSION OF INTEREST IN ECONOMIC ASSISTANCE HAS AN IMPORTANT PSYCHOLOGICAL IMPACT. IN RESPONSE TO THE UNDER SECRETARY'S STATEMENT THAT THE ASEAN COUNTRIES WOULD WELCOME CLOSER ASSOCIATION WITH BURMA, THE AMBASSADOR AGREED WITH THE ASEAN POLICY OF NON-CONFRONTATION WITH CHINA, BUT NOTED THAT THERE IS STILL SOME CONCERN IN RANGOON THAT ASEAN IS TIED TO BIG BLOCS. TIN LAT REITERATED THAT BURMA MUST STAY CLEAR OF ALL BIG POWERS, ESPECIALLY SINCE THERE IS "A BIG POWER NEXT DOOR".

BOTH DURING THE MEETING AND IN A PRELIMINARY CHAT WITH DAS OAKLEY, THE PROBLEM OF MUSLIMS FLEEING BURMA WAS RAISED. AFTER CHARACTERIZING THE PROBLEM AS ONE PRIMARILY OF ILLEGAL IMMIGRATION, TIN LAT STATED TWICE THAT THE BURMESE GOVERNMENT HAS INVITED THE MUSLIMS TO RETURN TO THEIR VILLAGES. IN RESPONSE TO EXPRESSIONS OF HOPE THAT THE TWO GOVERNMENTS KEEP THEIR LINES OF COMMUNICATION OPEN ON THIS MATTER, TIN LAT REPLIED THAT THERE HAS BEEN NO BREAKDOWN IN COMMUNICATIONS AND SEVERAL OFFICIAL VISITS HAVE BEEN EXCHANGED. THE AMBASSADOR ALSO ASSERTED THAT BURMA HAS ALWAYS HAD GOOD NEIGHBORLY RELATIONS WITH BANGLADESH.

ON MAY 23, AMBASSADOR TIN LAT CALLED ON S/NM MATHEA FALCO. IN THIS MEETING MS. FALCO AND DAS OAKLEY TOOK THE OCCASION TO IMPRESS UPON TIN LAT THE NEED FOR BETTER
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INFORMATION ON UTILIZATION OF US-PROVIDED NARCOTICS CONTROL EQUIPMENT. THE AMBASSADOR INDICATED HE UNDERSTOOD

CLEARLY CONGRESSIONAL INTEREST IN THE SUBJECT AND THE NATURE OF THE INFORMATION NEEDED.

AID SURVEY TEAM ENDS INFORMATIVE VISIT (LOU)

EMBASSY RANGOON REPORTS THE GUB ATTACHED GREAT IMPORTANCE TO THE TEN DAY VISIT OF THE AID SURVEY TEAM. THE TEAM MET MINISTERS AND SENIOR STAFF OF ALL MINISTRIES INVOLVED IN DEVELOPMENT. THE MINISTERS OF FINANCE AND PLANNING AND EDUCATION WERE ESPECIALLY APPRECIATIVE OF THE TEAM'S INTEREST IN BURMESE DEVELOPMENT ASPIRATIONS. AMBASSADOR BEAN SHARES THE TEAM'S OPTIMISM THAT A BASIS HAS BEEN FOUND FOR A CAUTIOUS MODEST INITIATIVE TO RESUME US ASSISTANCE TO BURMA.

THE BURMESE AND BEE DIPLOMACY (LOU)

IN A DEPARTURE FROM PREVIOUS PRACTICE, THE BURMESE EMBASSY REQUESTED OUR DIRECT ASSISTANCE LAST WEEK. IT INVOLVED ARRANGING A VISIT TO THE LOCAL HONEY INDUSTRY BY AG MIN U YE GAUNG, WHO WAS IN WASHINGTON FOR AN IBRD MEETING. WE WERE ABLE ON SHORT NOTICE TO OBTAIN THE SERVICES OF THE VIRGINIA STATE APIARIST WHO CONDUCTED A TOUR OF SMALL-SCALE BEEKEEPING AND HONEY PROCESSING FACILITIES IN BERRYVILLE. THE MINISTER EXPRESSED HIS SATISFACTION WITH THE EXPEDITION AND INDICATED HIS INTENTION OF TAKING A BROADER LOOK AT US AGRICULTURE ON HIS NEXT VISIT TO WASHINGTON. THE ONLY CASUALTY WAS THE BURMESE MILITARY ATTACHE WHO RECEIVED A MINOR STING AFTER THE BEES APPARENTLY OVERHEARD A MENTION OF BURMA ARMY TOUGHNESS.

SINGAPORE
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SENATE CONFIRMS GOVERNOR RICHARD F. KNEIP FOR SINGAPORE

AMBASSADOR-DESIGNATE RICHARD F. KNEIP WAS CONFIRMED BY THE SENATE ON MAY 24. HE WILL CONSULT PERIODICALLY IN JUNE FOR TWO PERIODS (JUNE 14-16 AND 26-30) DURING WHICH TIME HE HOPES TO CALL ON YOU. HE TENTATIVELY PLANS TO

RESIGN AS GOVERNOR OF SOUTH DAKOTA IN EARLY JULY AND
PROCEED TO POST IN MID-JULY.

SINGAPORE TRANSIT CAMP FOR INDOCHINESE REFUGEES (CONF)

EMBASSY SINGAPORE NOTED EARLIER THIS MONTH THAT DURING
US AUSTRALIAN DISCUSSIONS IT WAS AGREED THAT UNHCR WOULD
BE REQUESTED TO TAKE UP THE MATTER OF ESTABLISHING A
SINGAPORE TRANSIT FACILITY WITH SINGAPORE AUTHORITIES.

THE EMBASSY REPORTS THAT IT BELIEVES IT IMPORTANT TO GET
THE UNHCR BACK ON CENTER STAGE AND THAT THE ABSENCE OF
UNHCR ACTIVITY SINCE DECEMBER MAY BE ONE OF THE MAIN
REASONS WHY THE PROJECT HAS NOT MOVED. UNFORTUNATELY,
LITTLE CAN BE DONE THROUGH THE UNHCR OR BILATERALLY
UNTIL WE HAVE APPROVAL FOR THE 25,000 NUMBER PAROLE.
LOWMAN (ORM) WILL INCLUDE SINGAPORE ON HIS PENDING TRIP
TO THE REGION.

MALAYSIA

MALAYSIAN FONMIN'S VIEWS ON VICE PRESIDENT'S VISIT
(CONF)

IN RESPONSE TO A QUERY BY AMBASSADOR MILLER (WHO WILL
BE IN THE DEPT ON CONSULTATIONS BEGINNING JUNE 2), FONMIN
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RITHAUDDEEN STATED THAT THE GOM APPRECIATED THE VICE
PRESIDENT'S VISIT TO THE AREA AND, IN PARTICULAR, WELCOMED
THE EAST-WEST CENTER ADDRESS AS SHEDDING FURTHER LIGHT
ON CURRENT US POLICY TOWARD THE REGION. HE COMMENTED THAT
THE GOM ATTACHES CONSIDERABLE IMPORTANCE TO MAINTENANCE OF
SUPERPOWER EQUILIBRIUM IN THE AREA AND THE US ROLE IS
IMPORTANT IN THIS REGARD. NOTWITHSTANDING THE "ZOPFAN"
(REGIONAL NEUTRALITY) PROPOSAL, THE US PRESENCE IN THE
PACIFIC REGION HELPS MAINTAIN THIS EQUILIBRIUM. VANCE

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